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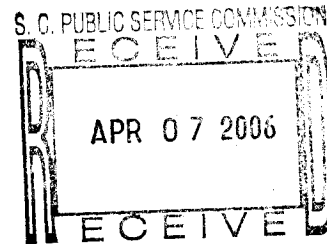
DAN E. ARNETT
CHIEF OF STAFF

178842

VIA U.S. MAIL

April 6, 2006

John M.S. Hoefer, Esquire
Willoughby & Hoefer, P.A.
PO Box 8416
Columbia, SC 29202-8416



RE: Application of Carolina Water Service, Incorporated for Adjustment of Rates and
Charges for the Provision of Water and Sewer Service
Docket No. 2006-92-WS

Dear Mr. Hoefer:

Please find enclosed and served on you the Office of Regulatory Staff's First Continuing
Data Requests in the above referenced matter. Please let me know if you have any questions.

Sincerely,

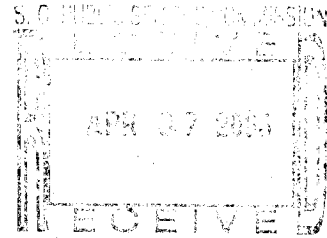
C. Lessie Hammonds

CLH/pjm

Enclosure

cc: Mr. Charles L.A. Terreni

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2006-92-WS



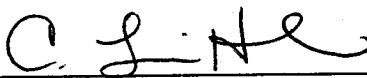
IN RE:

Application of Carolina Water Services, Inc.)
For Adjustment of Rates and Charges for)
The Provision of Water and Sewer Services)

**CERTIFICATE OF
SERVICE**

This is to certify that I, C. Lessie Hammonds, an employee with the Office of Regulatory Staff, have this date served one (1) copy of the **OFFICE OF REGULATORY STAFF'S FIRST CONTINUING DATA REQUEST** in the above-referenced matter to the person(s) named below by causing said copy to be deposited in the United States Postal Service, first class postage prepaid and affixed thereto, and addressed as shown below:

John M.S. Hoefer, Esquire
Willoughby & Hoefer, P.A.
PO Box 8416
Columbia, SC 29202-8416



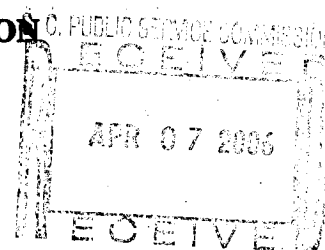
C. Lessie Hammonds

April 6, 2006
Columbia, South Carolina

BEFORE

**THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

DOCKET NO. 2006- 92 -W/S



IN RE: Application of Carolina Water)
Service, Inc. for adjustment of rates)
and charges for the provision of)
water and sewer service.)
_____)

**Office of Regulatory Staff's First
Continuing Data Request**

**TO: JOHN M. S. HOEFER, ESQUIRE, ATTORNEY FOR THE APPLICANT,
CAROLINA WATER SERVICE, INC. ("CWS" or "the company")**

INSTRUCTIONS

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2003), that the Applicant answer the following data requests in writing and under oath and serve the undersigned within ten (10) days after service of this Data Request at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person. When asked to identify or provide a document, "identify" and "provide" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it. When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind

or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means mailing address and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request, in addition to providing responses in an electronic format, as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

QUESTIONS

- 1.1 Identify the names and business titles of all people who provided information for the preparation of the Application.
- 1.2 Identify the names and business titles of all people who provided information for the preparation of the Application exhibits. Indicate who calculated the numbers for each exhibit and list the appropriate exhibit next to the individual's name.
- 1.3 Identify any construction and/or upgrades proposed or taking place at facilities operated by CWS since the 2004-357-W/S rate case application was filed. Provide the subdivision name, project description and timeframe for completion.
- 1.4 State the actual and projected costs of each construction and/or upgrade listed in response to 1.3.
- 1.5 Identify any subsidiary, parent and affiliated companies of CWS and state which entities, if any, are regulated by the Public Service Commission of South Carolina.
- 1.6 Identify all related party transactions during the test year. Related party transactions include all transactions between CWS and employees, officers, affiliated companies, parent company, subsidiaries and their employees, or officers thereof.
- 1.7 Identify all businesses that share the same office space as CWS.
- 1.8 List all real estate and land rights owned by CWS. If applicable, state the date of the purchases or acquisitions, the purchase price, and the location of the real estate and the physical areas to which any land rights apply.

- 1.9 Provide a detailed listing of the number of residential and commercial customers as of October 1, 2004, September 30, 2005 and April 1, 2006. Provide a detailed breakdown of Exhibit B page 18 of the Application by customer classification, county, subdivision name/number, and service type.
- 1.10 State CWS's practices and procedures for employee and officer bonuses.
- 1.11 Provide any written guidelines for inspecting systems and/or performing maintenance on CWS systems. Provide a schedule of maintenance for all systems listed in Exhibit C page 2 of the Application, indicating maintenance type and status (i.e. completed, on-going, anticipated) for the following years: 2004, 2005, 2006, 2007, and 2008.
- 1.12 Provide details and documentation regarding any DHEC fines. If DHEC fines were levied, identify what reasons and in what amounts the fines were issued. Provide a copy of the orders dictating the fines. Indicate where the impact of fines is illustrated in CWS's financial statements. Does CWS have any outstanding noted violations by DHEC since the last rate case data request? If so, what are they and provide a copy of the documentation by DHEC (i.e., notice of violations, warning letters).
- 1.13 Provide the most current DHEC Drinking Water Sanitary Survey for all drinking water systems listed in Exhibit C page 2 of the Application.
- 1.14 Provide the most current DHEC Wastewater Treatment Facility Operation and Maintenance Evaluation Reports for all wastewater systems listed in Exhibit C page 2 of the Application.
- 1.15 Provide a copy of the complete customer complaint log detailing all recorded customer service and billing complaints for the drinking water and sewer systems during the test year ending September 30, 2005.
- 1.16 Provide a copy of the complete customer complaint log detailing all recorded customer service and billing complaints for the drinking water and sewer systems for the time period October 1, 2005 through April 1, 2006.
- 1.17 Subsequent to the last rate case, state whether CWS has had a change in ownership, a change in stock holdings or any change in its corporate structure? If so, set forth and describe the prior ownership arrangement and the current ownership arrangement. Provide a copy of the latest organizational structure of CWS, its sister companies, and its parent companies. Also, describe the relationship between Nuon Global Solutions USA, Inc., Hydro Star, AIG Global Investment Group, Utilities, Inc. ("UP"), Water Services Corporation and CWS. Are any of the revenues generated

by CWS passed along to any of the above referenced companies? If so, describe the financial relationship.

- 1.18 Provide a copy of CWS's performance bond that satisfies the requirements of S.C. Code Ann. §58-5-720 and Public Service Commission Regulations 103-512.3, 103-512.3.1, 103-712.3, and 103-712.3.1.
- 1.19 Are there any outstanding loan agreements involving CWS? If so, for each loan:
- a. State whether the loan is approved and finalized?
 - b. State whether CWS is in receipt of the funds from the loan agreement?
 - c. Provide the loan amount.
 - d. Provide the interest rate.
 - e. Provide the loan period in months.
 - f. State the lender.
 - g. State the use or planned use of the loan.
 - h. Provide a copy of each loan agreement, its applicable amortization schedule, and any other relevant documentation.
- 1.20 List, in chronological order, by year, by customer classification/bill code and by month, the total number of bills issued to customers during 2004 and 2005. Please include the Management Summary Report for each CWS billcode for this timeframe.
- 1.21 State whether CWS operates on a calendar or fiscal year. If CWS operates on a fiscal year, please state during which month the fiscal year begins and ends.
- 1.22 Provide a copy of all contracts CWS has with bulk water providers and wastewater treatment and disposal providers.
- 1.23 List all subdivisions receiving bulk water and wastewater treatment from a third party or municipal entity. Identify the providing entity and provide the average monthly consumption/customer and bulk rate/1,000 gallons.
- 1.24 Provide all water consumption data for the test-year ending September 30, 2005, including gallons billed by bill code, subdivision and test-year month.
- 1.25 Itemize the components of "Regulatory Commission Exp." as referenced in Exhibit B page 2, 3, and 4 and provide a list of the itemized legal expenses and postage through the current date.
- 1.26 Provide the amount of accrued interest on customer deposits as of October 1, 2004 and September 30, 2005.

- 1.27 Provide the amount listed in uncollectible accounts as of October 1, 2004 and September 30, 2005 and provide the calculation for the proposed uncollectibles associated with the rate increase.
- 1.28 Provide the amount of water pumped, purchased, and sold by CWS during the test year ending September 30, 2005.
- 1.29 Provide the amount paid by CWS for SDWA fees during the test year ending September 30, 2005. Provide an estimate of the SDWA fees due for 2006.
- 1.30 Provide the complete detail of all miscellaneous revenue for the test year ending September 30, 2005 as listed on Exhibit B pages 3 and 4 of the Application.
- 1.31 Provide the complete detail of pro forma plant and pro forma plant retirements as listed on Exhibit B pages 7 and 8 of the Application. Detail should include subdivision number, project description, detailed expense amounts and service life estimates for all assets. Provide detail on how pro forma plant additions will be financed including amounts and lending institution.
- 1.32 Provide service area detail for all bill code descriptions listed as "under construction" on Exhibit B page 12 of the Application.
- 1.33 Provide all copies of monthly invoices for purchased water and wastewater treatment for all subdivisions that were billed water distribution and wastewater collection charges for test year ending September 30, 2005. Identify the subdivision serviced on each invoice.
- 1.34 Provide a listing of each subdivision receiving supplemental water from an outside vendor. List the subdivision number, vendor name and the expense amount for the test year ending September 30, 2005.
- 1.35 Provide the amount in gallons of unaccounted for water by subdivision by month during the test year ending September 30, 2005.
- 1.36 Provide a list of all subdivisions and number of units converted from water provision classification to water distribution only classification during test year ending September 30, 2005. Likewise, provide a list of all subdivisions and number of units converted from wastewater treatment classification to wastewater collection only classification during test year ending September 30, 2005.
- 1.37 In Exhibit A page 2 of the Application the last paragraph discusses how the utility will bill customers receiving water service where "it is impractical to meter each unit separately." Given this scenario, please describe how CWS

will deal with a delinquent customer of a multi-unit building consisting of less than four residential units served by a single meter.

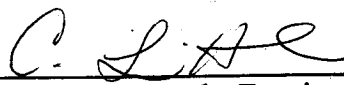
- 1.38 Exhibit A page 7, Section 3.b. of the Application discusses how CWS will waive the "Customer Account Charge – for new customers only." Will the fee be waived if the customer takes the service at a different time from the water service?
- 1.39 Is the expense cost for CWS to comply with the National Primary Drinking Water Regulations: Stage 2 Disinfectants and Disinfection Byproducts Rule that was promulgated by EPA on January 4, 2006 included with this rate adjustment request? If so, please provide the details of the cost associated with compliance and the schedule for submittal of the various documents to the appropriate regulatory authority.
1. 40 Provide continuing property records that show, for each plant account, the amounts of annual additions and retirements, classified so as to show the number and the cost of the various retirement units or other appropriate record units included therein. See the NARUC Uniform System of Accounts for Class A Water and Wastewater Utilities – Accounting Instruction #28 for Utility Plant - Work Order and Property Record System Required. The continuing property records must provide the following data: (1) name of item(s), serial numbers or other company numbers, and a description of the item(s); (2) location of the property unit(s) and department or subdivision which is responsible for its custody; (3) date acquired and from whom; (4) cost of the asset(s); (5) an estimate of service life and salvage value; (6) other factors pertinent to depreciation accounting such as monthly and yearly rate (percent) and actual dollar deduction; (7) recorded accumulated depreciation; (8) whether depreciation is calculated on a unit or group basis; (9) all additions, modifications, and retirements including physical count and cost as recorded on the CPR; (10) taxing district in which property is located; and (11) asset control account and numbers to which property is charged.
- 1.41 Provide a detailed explanation and examples of the company's current policy for removal of retirement units from plant in service. How is the value of a retirement unit currently determined? What is the basis, source, citing or instructions for the company's current policy?
- 1.42 Provide the complete, detailed General Ledger for both Water Service Corporation ("WSC") and Carolina Water Service, Inc. for the test year ending September 30, 2005. Please provide in an electronic format (such as Microsoft Excel) on compact disc for import to an electronic spreadsheet.
- 1.43 Provide the Working Trial Balances for Water Service Corporation and for Carolina Water Service, Inc. for fiscal years ending September 30, 2003,

2004, and 2005. Please provide in an electronic format (such as Microsoft Excel) on compact disc for import to an electronic spreadsheet.

- 1.44 The company's Application includes on Schedule B, a column for "Additional Revenues Generated from Docket No. 2004-357-W/S" and on Schedule C, a column for "Rate Base Adjustments from Docket No. 2004-357-W/S". Provide work papers showing how these adjustments were computed including a reconciliation to the last rate case schedules. Additionally, provide detailed work papers for pro forma adjustments for revenues, expenses, and rate base items as shown on Schedules B and C of the company's Application.
- 1.45 Provide a copy of Water Service Corporation's Distribution of Expenses Report used to allocate expenses for the test year. What accounting period did WSC use to allocate expenses to CWS's September 30, 2005 test year?
- 1.46 Provide a copy of the most recent consolidated financial statements for Utilities, Inc. and Affiliated Companies.
- 1.47 Provide the schedule of Long-Term Debt, Equity and Interest Expense on Long-Term Debt used to compute the 59.10%/40.90% debt/equity ratio and the 6.42% cost of debt as used in the Company's application.
- 1.48 Does CWS anticipate any change in the financial relationship or capital structure of CWS as a result of the recent sale of Utilities Inc.?
- 1.49 Does Utilities Inc. anticipate issuing widely held and traded stock within the next three years?
- 1.50 Does CWS have any bonded indebtedness?
- 1.51 Are there any capital projects estimated to be \$100,000 or greater planned by CWS within the next three years?
- 1.52 Has there been any financing from Utilities Inc. to CWS in the form of donations, contributions, loans or transfers for the purposes of capital projects, CWIP, AFUDC, or CIAC? What are the terms or conditions of any loans, contributions or transfers?
- 1.53 Apart from items mentioned in response to 1.51, what payments or transfers have been made from CWS to Utilities Inc. each year for the past three years? Which of these payments represent profits from the subsidiary paid to the parent? If such payments or transfers are not how Utilities Inc. receives profits from its CWS subsidiary, then how does it?

- 1.54 Provide the composite tax factor for the test year. The composite tax factor is the decimal fraction which, when divided into the required dollar increase in return results in the required revenue increase before taxes.
- 1.55 Provide any materials that Utilities Inc. has presented to financial institutions or companies or to regulatory bodies that cover the South Carolina water and wastewater subsidiaries of Utilities, Inc.
- 1.56 Provide a list of the names of witnesses CWS intends to call and the subject matter for which each witness intends to testify for the hearing in this matter.
- 1.57 Describe any current, expected or settled litigation which may affect or did affect rates paid by customers.

April 6, 2006



C. Lessie Hammonds, Esquire
Shannon B. Hudson, Esquire
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1441 Main Street, Suite 300
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Columbia, South Carolina 29211

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